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REMARKS

Attached was provided by DDPTM in early February 1984, in connection with the DCI's "Goals Exercise." It has some relevance to psychological/behavioral studies which were suggested at the 1 Feb 84 meeting of SECDEF's LRMP Working Group.

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THE PSYCHOLOGICAL CONTRACT

People pick and choose work organizations which, in their judgment, have the influences they seek and are freer of the pressures they wish to avoid. It is commonplace, for example, that people who seek security will not go into independent selling, that entrepreneurs will not be satisfied in a heavily bureaucratic setting. Thus people come to organizations with reasonably well-defined expectations. The organization, in turn, has reasonably well-defined expectations of them, reflected in its job descriptions, goals, division of responsibility and so on.

However, as was first discerned in a study in the Kansas Power and Light Company,* the expectations of both the individual and the organization go much deeper than the conscious, manifest content of wages, hours, working conditions and fringe benefits, on the one hand, and job obligations on the other. If people are always striving to maintain their psychological equilibrium while working for their bread, then they also seek in the organization support and gratification for their deepest psychological needs. Because these needs are continuously pressing, individuals bring them to the organization with great intensity, though they themselves may never be aware of what they are doing.

In its expectations of a managerial candidate, the company idealizes the prospective candidate and expects perfection and continued top performance. It expects the person to be a political personality, to go along with decisions even if he or she does not agree with them. It expects to be able to depend on the person to stay in the organization, to accept whatever higher-level managerial decisions are made, not to manipulate people against the organization's needs or take advantage of the organization's dependency on him or her, not to threaten others or to compete too openly, and certainly not to produce scandal that would reflect negatively on the organization. It expects the person to wait for promotion, not to run away if he or she does not get it on time, to stay with the organization through thick and thin. It expects him or her to accept any assignment, to move, if necessary, and to accept reassignments cheerfully. It expects the person to be available when he or she is needed and not off some place on holiday, or to come back if he or she is on holiday. It expects the person to act on the company's behalf: not to give away or sell its secrets, and not to exploit others or take advantage of other people in the company. The manager, to take an extreme case, who has his secretarial staff cook his lunch and insists that it be ready and served promptly at noon, who spreads spies throughout the organization, who insists on personal loyalty above company

*Levinson Harry, Price, Charlton R., Munden, Kenneth J., Mandl, Harold J., and Solley, Charles, M., *Men, Management and Mental Health*, Cambridge: Harvard University Press, 1962.

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loyalty, who threatens people with vengeance if they squeal on him, who insists that his subordinates are his servants and must accept and recognize that when they come to work in his division--this manager clearly violates these expectations on the part of the organization.

Managers' and executives' expectations of their organizations are multiple also. They expect a shot at the top position, however unrealistic that may be. Most of them expect line operating responsibilities even though they are in staff roles, and they expect the company or higher level management to understand their ambitions even though those ambitions are largely fantasy. They expect to be told about judgments being made about them, that they will not be kept in the dark, that the organization will not play games with them, that it will not hold mistakes against them, that it will live up to what the recruiters or head hunters told them, that the image of the company is indeed the way the company behaves, and that the way in which they are treated will enhance their personal status and relationships vis-a-vis others in the company as well as in the community. These status-enhancing benefits may include country club memberships, automobiles, and other kinds of perquisites, which are not seen by the company as having to do with status but rather as serving a practical function. However, when the company moves to take any of these benefits away, it becomes very clear that they have much to do with status, and service enhancement is only a very minute part of them. Every manager and executive expects the company to deliver these benefits if he or she plays the game the company way. Implicitly the bargain is, "Don't hurt me."

In the Berthold Brecht play *The Tutor*, the tutor deals with his sexual impulses and wishes toward his sponsor's daughter and toward the ward of a subsequent mentor by castrating himself. When he is castrated, his mentor tells him he can now teach anywhere because he is no longer threatening to female students. The mentor praises and approves of the tutor's self-sacrifice and makes a tutorial hero out of him, telling him he can have any job available. The previous sponsor is also willing to give him a reference because he no longer represents a threat to girls. This extreme illustration highlights the process: When a manager or executive makes certain sacrifices on behalf of the organization, he becomes acculturated. He necessarily develops powerful expectations in return, namely that the organization will offer him all of its advantages and will not hurt him. He expects the organization to live up to its image so that he can bask in its reflected glory, which means that it should not produce shoddy products, pollute the environment, or victimize customers. If the organization does not maintain a good image, the manager is subject to attack by his friends and neighbors.

None of these expectations are specified in any of the negotiations between the superior and the subordinate, between the company and the prospective manager who comes aboard. Yet all of them are powerfully embedded in the relationship. There is a whole set of organizational expectations and a whole set of employee expectations, many of which are not conscious--although some are pre-conscious and some are conscious. Those expectations that have to do with supporting the character structure of the individual are largely unconscious and those that have to do with identification of the individual with the organization's

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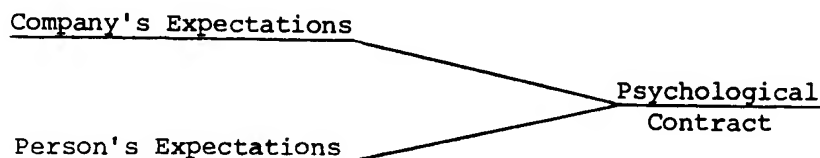
philosophy of management (with the capitalistic system) are implicitly assumed by the organization.

These unconscious mutual expectations are held almost as rigidly as the expectations in a marriage contract. That is, each party acts as if his or her expectations should be fulfilled--even though the other party may not be completely aware of what they are. Each assumes that the other has made certain commitments (the employee particularly makes this assumption in terms of his or her psychological needs); and should one party not meet the expectations, the other reacts as if the contract had been violated.

There is, therefore, in every working relationship a psychological contract between a person and the organization in which he or she works.

The psychological contract has many qualities which testify to its uniqueness. It is largely implicit and unspoken; often it is unconscious. In many respects it antedates the formal and signed relationship between the employee and the company. It encompasses a mutual recognition that each (individual and organization) needs the other to survive. It is dynamic in quality in that it is constantly changing. For example, the organization makes a large initial investment in the individual in order to train him or her. This is usually followed by a long period of time during which the individual makes a large investment in the organization by serving it with his or her acquired skills. Finally, in an employee's twilight years, there is often a period of time when the organization demands less of the individual and the individual is able to give less. This also happens throughout employment when the individual is temporarily disabled by sickness or accident.

The psychological contract is dynamic in quality with regard to the organization, too. In order to streamline itself so that it can meet competition, the organization has constantly changing needs for new products and services in response to fluctuating market demands; for relocation of physical plants and personnel; and for shifting of administrative responsibilities.



The nature of the psychological contract tends to hinge on the individual's internal personality structure (what kind of psychological defenses he uses, the nature of his superego) and the "corporate personality" or "organizational personality." That is, certain kinds of people are drawn to, and attracted by, certain kinds of organizations; and each organization has its own characteristic

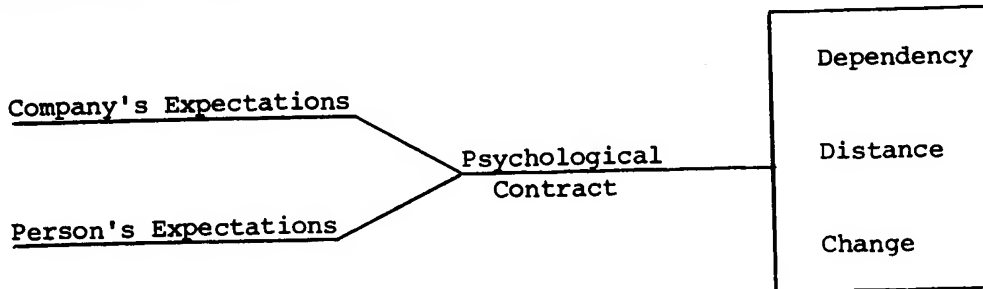
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way of operating, its own self-image, and its own value system.

Along this line, think back to a time in your life when you were applying for a position. Many of us have shared a common experience. We considered two or more organizations, filled out pre-employment application forms, and were interviewed. Perhaps we were subjected to various aptitude tests. While we were being appraised, we were also appraising each organization. Often the nature of the job, the salary, and the opportunities for advancement were quite similar. Yet we had different feelings about each organization--some of them feelings that we could not specifically define. Sometimes we liked one organization much more than the others, and sometimes we disliked one intensely. In short, we were attracted to an organization for many reasons beyond our immediate awareness.

From our discussions thus far we can already begin to surmise what the major components of the psychological contract are likely to be. If a person must manage his or her feelings of love and hate, his or her dependency needs and ego ideal, and if he or she has evolved consistent ways of doing so, then that person must bring to the organization the implicit assumption that the organization will permit him or her to continue to do so in these accustomed and preferred ways. If the organization has established characteristic ways of carrying on its business, e.g., by pleasing the customer, then it assumes the employee is agreeing to do so when he or she takes the job.

In the research at Kansas Power and Light, the major issues we have discussed this week came through repeatedly in the form of three dominant themes: dependency, distance and change.



Dependency

Legitimate. In growing up, particularly in a society where there is an extended period of dependency on the parents, each of us has the psychological task of becoming relatively independent. Most of us resolve this problem by establishing interdependent relationships with other people as in marriage, in the family, among friends, and with the organization in which we work toward a common goal. Within certain limits, which vary from organization to organization, it is considered legitimate for the person to depend upon the organization. The person can say to him- or herself, "It's all right for me to depend on the organization to a certain extent if the organization in turn will depend upon me."

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If one has a responsible job to do in an organization, which the organization permits him or her to carry out, and if he or she has some responsibility in the fate of the organization, the organization is dependent upon that person. The person, in turn, can comfortably depend upon the organization to support him or her at the various times when support is needed.

With respect to dependency, the organization expects the manager to do his or her work well, to get results, and especially to build people for the future. It expects him or her to look good to the public, to investors, to the competition. It expects accuracy and technical proficiency. It expects the person to be as good as people doing the same work in other organizations, if not better. On the other hand, it does not want the person to corner knowledge in or about the organization so that only he or she knows it, and the organization is vulnerable if he should leave or refuse to contribute this knowledge. That knowledge may be marketing knowledge, tax knowledge, finance knowledge, or technical knowledge having to do with a product, service, or some other kind of experience which identifies the person as "indispensable."

Some of the issues concerning the person's dependency on the organization have already been outlined. In effect the individual says to the organization, "I count on you to realize my ambitions, to provide avenues for me to meet the demands of my ego ideal, to protect me against illness or downturns in the economy, to stand by me if for any reason I may be attacked when I act on behalf of the company, and to provide appropriate fringe benefits to sustain my family's standard of living if anything happens to me and so that I may maintain my status in the eyes of my peers. If the company decides to sever me, I expect it to do so in such a way that it will enable me to save face. It will protect me and it will allow me to present myself in the best possible light. I expect to be protected from attacks from those above me and from those outside the organization. I expect to be sustained in times of illness and tragedy and I trust that the organization will not exploit me. I view myself as being in a partnership with the organization based on mutual faith and trust."

It is legitimate in most organizations to take care of long-service people who have reached their physical limits, or who cannot keep up with change, or who have become ill. Managers and employees alike are often reassigned to tasks they can do, rather than be discharged for obsolescence or incompetence. It is also legitimate for people to cover or substitute for each other to get the organizational task done, and for employees to mobilize to support the organization when it is under some form of stress. For example, when there is an organizational crisis, many people will willingly work long overtime hours without additional pay, or defend their organization when it is being attacked in the community.

Denial. Legitimate dependency needs can be denied. A person can be under-supervised--not given the help, orientation, training, and counseling he or she requires to do the work that is expected of him or her. For example, supervisors or managers may reject the need to talk frequently with those who report to them, saying, "I learned to stand on my own two feet and they have to stand

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on theirs. If they don't, that's tough. I'm not going to baby them. This is a sink or swim outfit."

Denial of legitimate dependency needs occurs when the organization rejects what previously had been assumed to be the conditions of the relationship. To illustrate, when an organization automates its clerical or financial activities, or if it changes technology, it must retrain its people. If it fails to do so, people will feel they have been rejected and deserted, which they view as illegitimate in view of their commitment. Something of the same feeling will prevail if others with newer training are brought in from the outside to direct the older employees, cutting off their avenues for promotion.

Sometimes an experience is regarded as denial because of less conscious expectations, although the literal employment contract is carried out to the letter. For example, in one company an accident occurred off the job in which one of the employees lost a limb. The company was in no way responsible. Though he did not have a great deal of seniority, the employee had done his work well during his tenure with the company. The rest of his workgroup felt that not to keep him in some kind of job would be a violation of the psychological contract. They did not put it in these terms, of course. Their attitude was that if people who did their work and minded their own business had a job in the company for life, then this man had a job even if he could no longer do the one for which he was employed. The company owed it to him. When the company, following its union contract, said it was not responsible for the man and had no job that a man with his handicap could do, the employees mobilized civic groups in their local community to exert pressure on the company. The company subsequently found a job for the man. Thus the employees acted as if there were in fact a contractual obligation to them and took action to enforce it when, in their judgment, their legitimate dependency needs were being denied.

In recent years managers and executives of many years standing have been terminated as a result of contraction. Almost invariably they have felt that action to be an arbitrary violation of the psychological contract.

An employee can deny the legitimate need of the organization to depend on him also. The organization may need overtime, suggestions, creativity, inventions leading to patent rights, increased sales, acceptance of greater responsibility with experience, and so on. The employee may adopt the attitude of "just putting in time." The organization, judging from management's anger, disappointment and frustration, perceives such behavior as a violation of a contract, although nowhere are such expectations spelled out.

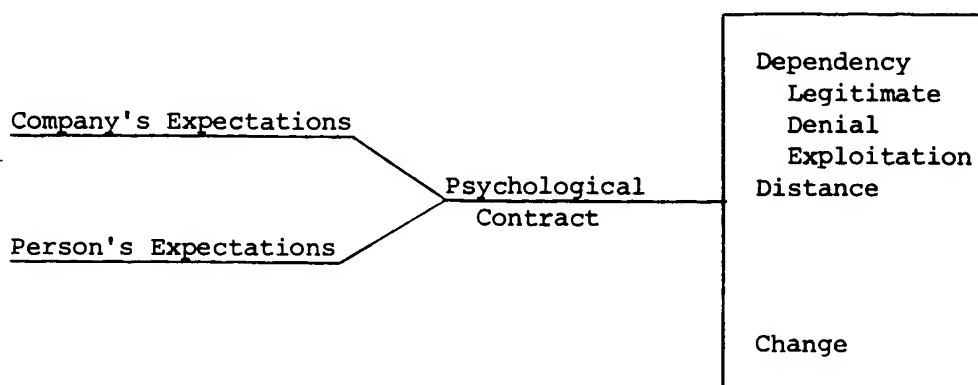
Exploitation. The second form of illegitimacy is exploitation. To exploit someone else's dependency needs is perceived as a violation of the psychological contract. This is why paternalism failed: it increased people's dependency on the boss and made it less possible to be angry with him or her when anger was an appropriate feeling.

A person can exploit the dependency of the organization by retaining information, power, customer relationships, and similar corners on the organiza-

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tion's resources. He or she can become too essential to the organization, so that ultimately the organization suffers. This is what often happens with people who found organizations but can't build in succession, or with researchers and others who take organizational secrets and skills to new jobs.

A person's dependency can be exploited by over-supervising him or her, not allowing him to assume responsibility in keeping with his skill and experience, not treating him like an adult, not allowing him to grow. One form of exploitation is to deny the person information about his performance and the company's intentions with respect to his career. He or she then never really knows how he is doing, and often leaves his fate in company hands, only to discover too late that he wasn't doing as well as he thought and was denied the opportunity to make his own choices. Another exploitation is to keep a person too long in a given job, thus depriving him or her of the experience required to advance.



Distance

One of the problems of psychological distance is best captured in a story which Freud got from Schopenhauer. Two porcupines were together on a cold night. In trying to keep warm, they moved closer together until they stuck each other; as they moved farther apart, they became colder. Their problem was how to find the right distance that would enable them to keep the warmest without hurting each other. This, in part, is the problem we all face in trying to handle our needs to give and receive affection and to express aggressive feelings in constructive ways. The achieving of optimal psychological distance on the job is an important consideration, which is highly individualized for each of us, and subject to modification from one day to the next.

Because organizations tend to attract people who share many personality features, in some organizations there is a characteristic distance people keep from each other, as reflected in whether they address each other as "Mr.", "Ms." or by first name, or how readily they mobilize to socialize or help each other.

The three components of distance are affection, privacy, and control.

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These are the triangulating points for interpersonal relationships in an organizational structure.

Affection. Some people would like to keep all feelings out of work relationships. That is impossible. Without bonds of esteem and affection there could be no organization short of external compulsion that required people to work together. So the problem is not how to keep affectionate feelings out of work relationships but how to manage them so that they do not interfere with the organization's work. Circumstances often require a greater expression of affection at one time than another. Consider, for example, a secretary whose mother dies. Her boss might go to her home to express his sympathy, give her extra support, even put a fatherly arm around her shoulder. He increases his overt expression of affection and temporarily decreases, at this time of psychological stress, the psychological distance between himself and his secretary. After the stress is diminished, he returns to the previous optimal distance which characterized the most effective working relationship for them. The same situation occurs when a manager encourages a distressed employee to talk with him or her more often than ordinarily would be called for.

With respect to the issue of psychological distance, and especially having to do with affection, the organization expects a manager not to stick his or her nose where it doesn't belong--not to intrude into other areas even if he or she knows better than what is being done, or knows that mistakes are being made that may indeed be costly. The organization expects a manager to sustain friendly relationships with peers, superiors and subordinates. It expects him or her to maintain good human relations--not to attack people, particularly those who report to him or her, either directly or by being perfectionistic. It expects a manager to hold the company in esteem despite what he or she knows from the vantage point of his or her position and to maintain "family" secrets, to like the organization as a family. Indeed some people speak of their organizations as company families.

With respect to aggression, the organization expects a manager to control aggression, not to make waves, to channel his or her aggression effectively into problem solving on behalf of the organization, into competing with other organizations, and into enhancing the organization's effectiveness. It expects a manager to temper his or her rivalry and competition with subordinates well enough to be able to develop them. It expects him or her to maintain his temper, to be a team player, not to play one-upmanship or to scapegoat others, and not to put the boss on the spot.

The employee or subordinate expects, in turn, to be liked. How much he or she is valued is frequently reflected in the kind of office provided, the size of the rug on the floor, his or her name on the door, and the perquisites he or she is given. Being "in" is another way of putting it: the information he or she is party to, as reflected by the names on the list to whom certain types of memoranda are circulated; the floor of the building on which he or she is located; the size and brand of the car he or she is given; the number of country club and other club memberships offered; the flexibility of the expense account; whether he or she has a private secretary; whether the

secretary has an office, and so on.

Employees expect to be assigned to work where they can be successful and show themselves to best advantage. They expect to be able to use aggression in pursuing their own ego ideals, to be able to make decisions, to command or direct components of the organization, to be able to compete effectively for position, to have avenues through which to make recommendations and suggestions, to be able to act on decisions which are made on behalf of the organization and particularly those having to do with themselves. They expect to be able to defend themselves through the medium of appropriate records, memoranda, and organizational data. If there are professional systems or practices in given roles, they expect to be able to carry them out in such a way that they can have recourse to them as a mode of simultaneously exemplifying the best aspects of their own practice and defending themselves against potential criticism by indicating that these are the standards of professional behavior.

Privacy. There are some things in a person's life which are none of the organization's business and vice versa. There is a long history to the debate about how much an organization has a right to know about what an employee thinks and feels, and even his or her past. But concern about privacy is not limited to personal business. It also refers to moment-by-moment activities. None of us likes to be scrutinized, particularly by people who are in a position to criticize us or make decisions about us. One of your discomforts this week is that we will invade your privacy and "read your mind." Therefore, people are quite uncomfortable when they experience someone else as "looking over their shoulder." One thing everyone has to learn in interpersonal relationships is what not to see, or what to ignore. This is particularly pressing in supervision. Often people will have to work in ways that are not standard operating procedure to accomplish a given task. Does the manager "see" what they do or does he or she look at the finished effort?

A manager expects the organization not to keep too many records of his mistakes, to present him in the best possible light when necessary, to stay out of family matters by not insisting on the participation of his or her spouse, by not being moved into organizational enclaves as headquarters move to suburbs, and by not making demands on him or her that go beyond the job performance requirements, whether these demands have to do with overtime, travel, or extraordinary loyalty.

The same issue holds for the organization's need for privacy. The organization expects managers or executives to maintain organizational secrets and plans, and not to press for information that is not yet officially theirs. It expects them to maintain the confidentiality of those matters it regards as private or that in its own interest must be kept confidential, so that it will not be subject to suit or being outmaneuvered by the competition. And it expects them not to talk negatively about the organization outside of it.

Many organizations require people not to talk about organizational business, or expose foibles within the organization. In fact, it was precisely because of the privacy issue that the researchers stumbled upon the whole contractual concept.

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Following the death of a vice president, a middle manager who had been close to him became intoxicated in a motel and walked outside of his room nude. He was arrested and subsequently lost his job. No one in his division would talk about the unfortunate event, though they talked freely about their own personal lives to the interviewers. In another situation, an affair between a middle management man and an office clerk was ended with the dismissal of the woman. Again, no one mentioned the event to the interviewers. In both cases, the interviewers knew of the problems because of their contacts with higher management. However, the employees acted as if the company had a right to keep certain skeletons hidden in its corporate closet.

Control. An organization must exert sufficient control over its members that its tasks can be accomplished. It expects its people to respond to the rules and regulations, not to play the angles to their own advantage and to the disadvantage of the organization, to act according to its policies and procedures, and to control and direct subordinates in keeping with those policies. The organization expects that managers will not get too hostile, however irrational some of these controls may be, and will recognize that the organization needs controls, however imperfect they may be. Some controls are quite irrational in certain respects, but the organization expects managers to respond to them anyway, to prepare and deliver reports as required, however useless, and be a reliable component of the organization's response to the demands of top management.

For his part, the employee expects to be able to control his or her own destiny (his or her own fate in the organization) as much as possible, and therefore needs information from higher management--or at least expects it. He or she expects to have some flexibility, not to have to get too uptight about relationships with subordinates, and to have some arena of choice. In turn, he expects to be able to control the people who are responsible to him, and their particular function, to have the authority that goes with his responsibility and to be able to demonstrate his effectiveness by means of the control that he or she is able to exercise of self, subordinates, and task.

Mature people want to control themselves as much as possible. This is particularly true with respect to their feelings, especially hostility. People need the freedom to manage their feelings according to the situation at hand, but they also need to be able to count on external controls when they cannot.

Informal social controls, as in the hazing of a new employee, are designed to test that person's degree of self-control. Only if co-workers know that he or she will not readily "blow up" under tension can they trust him or her in difficult situations. On the other hand, if one can sense that a fellow worker is too easily irritated on a given day, one needs the freedom to move away from that person to more distant tasks so aggressive explosion may be avoided. If this cannot be done, the manager needs to be sufficiently sensitive to what is going on to assign the troubled person away from the usual work group, if that is possible.

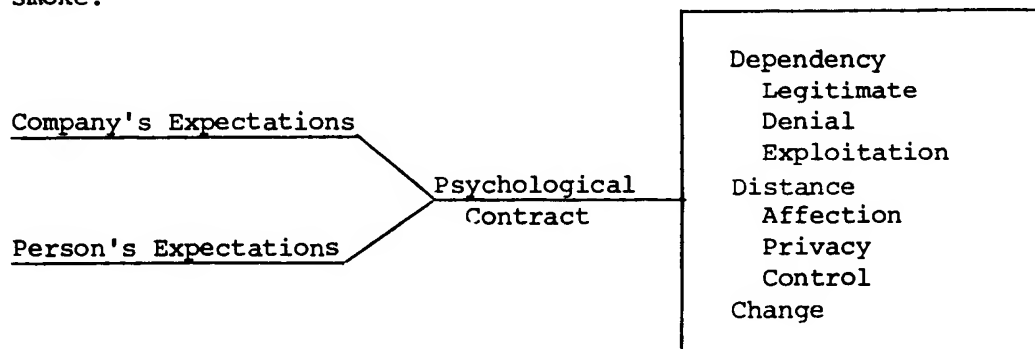
Psychological self-control also means the opportunity to "let go" appropriately. In an electric power company, line crews are often doing dangerous work among high voltage lines. As the men descend to the ground, there is much

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horseplay, joking, hazing the new employee, and scapegoating the line crew. Once on the trucks, the crew immediately jumps to playing cards or telling jokes. This relief from tension is a required safety valve. The knowledgeable supervisor will not try to control it, though he could not allow the same behavior to occur on the poles.

Among managers, "letting go" appropriately may occur at conventions, sales meetings, or other corporate affairs that are part work, part pleasure.

We have spoken of control only from the viewpoint of the organization's control of the individual and the individual's control over him- or herself. The individual at times must control the organization to protect it from danger but at other times must allow it to exert its own controls. For example, if an employee observes that a given practice is costing the organization loss of good will or money, or if an incentive system will destroy the cohesiveness of the work groups, he or she may take action to notify someone, or to informally control what is being done so that it will not be destructive. Employees in a company that does not have a fair alcoholism program will often protect colleagues from discovery. Policemen will usually not enforce laws when they judge the consequences to be too harshly punitive. Yet a control program against smoking in dangerous territory would have to be accepted regardless of how much individuals wanted to smoke.



Each of us must deal with the closeness issue just as a trombonist must adjust his slide with every new note. We all have our own characteristic way of doing this, and we vary only from a central nodal point in our own character structure. Consider the isolate or loner who works off-hours, or in noisy environments, or by himself. However this person rationalizes this behavior, the fact is he or she works alone, sleeps when others work, plays while they sleep. Some people like small groups, others large ones; some like companionship of the same sex, others mixed. When a person cannot both control distance and have the organization exercise controls wisely, then he or she perceives this as a contractual violation.

Change

The third component of the psychological contract has to do with change. Given the rapidity of change and its impact on both people and organization, this

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is not surprising. Most often the concerns about change are treated cavalierly as "people don't like change" or "change is inevitable." A closer examination of the psychological aspects of change makes it possible to understand that dealing with change is not something to be taken for granted but is inevitably a part of the psychological contract.

The organization expects a manager or executive to be able to change with the company's needs even if it is costly to him or her. That change may be in: role; power position; use of skills, as for example in moving from a more passive to a more aggressive position; locale; responsibilities; personal life goals. For instance, a manager may have to sacrifice the kind of proficiency he or she has exhibited, no matter how good it is, when that proficiency becomes less important to the organization at a given time and other areas become more prominent. In times of recession one's unit or activity may have to be sold or merged or even abandoned. Whatever the case, the organization expects the person to change with restructuring, regardless of the cost to his or her self-image or pocketbook. What's more, it expects him to respond with a smile to arbitrary change action on the part of higher management.

The manager, on the other hand, implicitly expects the organization not to change anything with respect to him without involving him, without explaining to him, without letting him check it out, without giving him the opportunity to act in his own self-interest. When changes occur in such a way as to make him obsolete or less valuable, he expects the organization to help him sustain his position and his role, his standard of living, to recognize the personal costs of change to him, to prepare him, to help him, to respect him. He implicitly expects to have the support of the company, particularly if he is attacked. For example, executives of public utilities and petroleum companies have been attacked publicly in recent years for being associated with their companies because of nuclear power plants and the repetitive concern with oil. Most of all, the manager expects the organization not to abandon him, as sometimes has happened with executives who have been accused of collusion or cartel-like actions while trying to sustain the profitability of their organizations.

Loss. Any change involves a certain psychological loss. A person who has come to see himself or herself as an adult because his or her work requires considerable maturity and managerial skill loses part of his or her self-image as a responsible adult when automation makes that skill and competence unnecessary. Furthermore, the person will often have difficulty relearning skills in a classroom if he has had a specialized formal education and has been practicing that specialty for some years.

A change of assignment and relocation means pulling up one's roots, leaving behind cherished friends and familiar scenes. This is so painful a loss that those who move repeatedly establish defenses against it. Career military people handle the repeated separations by a kind of "hail-fellow-well-met" friendship which everyone understands and accepts. Deep and meaningful friendships, especially with civilian neighbors, are avoided because it hurts too much to break them and start new ones. Hence, base housing developments are usually

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preferred to living in town.

In the process of change, one always loses or gives up something--a place, a person, a skill, or a value, in which he or she is emotionally invested. The same thing happens with organizations. One of the New York City hospitals moved from a series of old ramshackle buildings located on a small island in New York harbor, accessible only by ferry boat, to a new \$39 million edifice in midtown Manhattan. Despite the comfortable surroundings and new, modern equipment, both the patients and staff showed many signs of depression. There was much griping and many nostalgic comments about the "good old days on the island." Sometimes the same phenomenon occurs when new products replace valued old ones, when new methods are adopted. It always occurs in merger no matter how desirable the merger may be.

Left alone to cope with loss, the individual experiences a contractual violation. If people deserted the organization, it too would experience violation.

Demand. Loss alone is difficult enough. However, it rarely occurs alone. Change not only causes the person or the organization to lose something, it also makes new demands on both. It requires a new adaptation. This requirement is experienced as a demand from outside that occurs simultaneously with the loss. These two--loss and demand--pull at the person from opposite directions and constitute the essence of the difficulty of change, its stress.

For example, a successful saleswoman is made a sales manager. This calls for administrative and executive skills that she has never learned. Her promotion is based on her outstanding sales record, achieved by an ability to persuade people rather than the capacity for providing the environment in which others can succeed. Or a foundry manager is promoted to the front office where the freedom of using rough language, working in his shirt-sleeves, and seeing problems literally in three dimensions is no longer available to him. Here the losses and new demands are self-evident. The new demands, particularly in the context of loss, may be seen as an additional violation. Thus, because of limited education or long experience, both of which limit flexibility, an older employee will often tend to retreat in the face of change. He says, in effect, "Why don't you leave me alone, doing some small job until I can retire?" Indeed, in many organizations people are shelved until they can retire, for management grasps the idea that to make new demands on them at this point in time is a violation of the psychological contract.

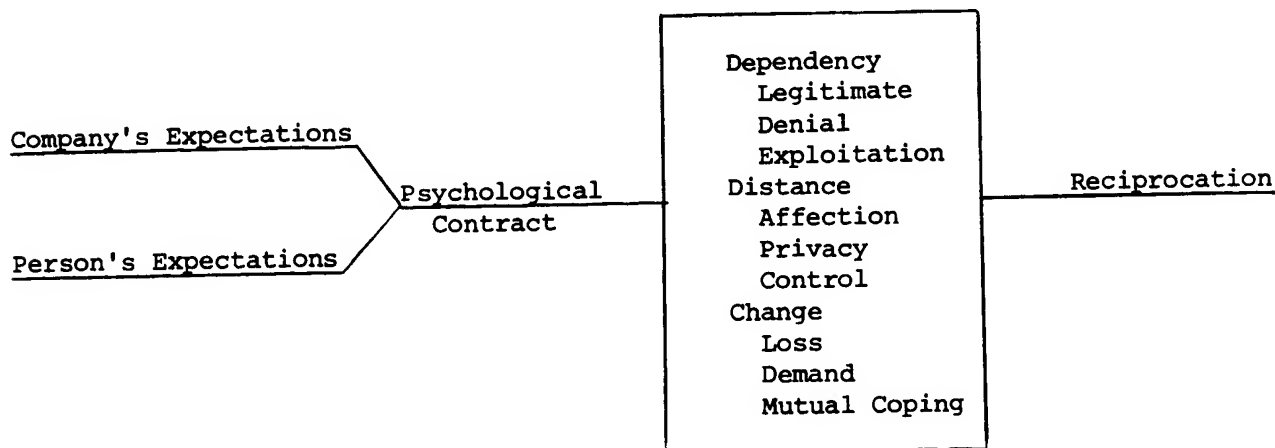
Employees can do the same thing with respect to organizations. When, for example, organizations cannot move sufficiently quickly to keep up with their growing employees, wise employees leave rather than persist in demands for organization changes that the organization is not prepared to meet. Many, in fact, leave to start their own organizations. Paradoxically, then, older organizations seek to buy up the new ones to sustain themselves.

Mutual Coping. When both person and organization deal with change together, their mutual support makes adaptation less stressful. The loss is

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less painful when taken together; the new efforts less impossible when undertaken on behalf of an ideal or cause. There is an outside enemy to be fought together. Employment in an organization thus becomes a person-organization alliance. We see the same phenomenon also in retraining people in economically distressed areas. Once the tie between a person and his or her work organization is severed, it is extremely difficult to get him or her to undertake retraining. When people can be retrained in their own companies or when a whole work group can transfer en masse to a new owner or management, there is mutual coping with solidarity in the context of the home community.

The psychological contract assumes mutual coping, at least from the employees' point of view. The organization rarely makes the assumption unless it is in deep trouble, and by that time it is often too late.



Reciprocation

As is now obvious, the psychological contract is a complementary relationship between individual and organization. We therefore speak of the process of fulfilling the contract as reciprocation. Each requires the other to meet its needs. When reciprocation functions well, where there is continuous adaptation to new nuances and requirements, then behaviors occur that are mutually beneficial and are conducive to both the mental health of the individual and the growth of the organization.

But what do we mean by mental health?

Mental Health?

Assuming the concept of homeostasis, it is not possible to look upon mental health as a stage that can be gained or achieved. Rather, it is a level of adaptation to work toward and to maintain. Like physical health, it is the level of efficiency of a continuous balancing process. Thus, it is necessary to have some evidences of the degree of efficient functioning of this psychological process.

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To obtain a definition of mental health, suitable as a criterion in the business situation, a group of psychoanalysts and senior psychotherapists were asked to describe those people they had known whom they regarded as being mentally healthy. From the descriptions of eighty people given by these fourteen senior clinicians, the following five kinds of behavior were abstracted as being characteristics of mental health.

1. The people who were described had a wide variety of sources of gratification: they received gratification from their family, their job, their friends, their hobbies, their religious life and church work, and their contributions to the community.

2. They were able to treat other people as individuals, to differentiate one from the other rather than to look upon everyone as being the same. Such people were not so self-concerned, nor did they tie up so much of their energy in defenses, that they were unable to see each and every person they came in contact with as a distinct individual.

3. They were able to be flexible under stress, to roll with the punches as it were. They were able to cope with a problem in several ways and see alternative solutions to it.

4. They were able to recognize and accept their own assets and limitations. They neither deprecated nor over-valued themselves. In a sense, they had an accurate picture of themselves, as it realistically existed, and liked what they saw.

5. They were active and productive because they enjoyed doing, not because they were being driven or driving themselves to do it. To say it another way, they were not constantly occupied with "busy work" because of an inability to ever relax.

To return to the implications of reciprocation, the question was then asked, "In what way does what goes on in the business organization enhance or inhibit the opportunity for these behaviors to occur?" This question did not imply that a business organization causes mental illness. Mental illness is too complex a phenomenon to be attributed to a single cause. Nor did it imply that the company could make people well if they were sick. Rather, the question assumed that there are certain ways in which a business, or any other organization, could be managed that would enhance the psychological strength of the people within it, or that, conversely, could diminish that strength to a certain extent. This is a public health point of view in that it concerns the general effects on all of the people involved.

It was found that when reciprocation was not functioning well, other kinds of behavior occur more frequently. These types of behavior are symptoms of emotional distress or mental illness. For example, outright and open chronic hostility; sabotage of the organization, its efforts and its products; more accidents and more rejection of relationships with other people in the organization; withdrawal and isolation; destruction of social groups; and physical symptoms.

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In summary then:

1. When reciprocation operates fully, it is a productive process for the organization. It makes the relationship of person and organization productive because it keeps the task as the central focus of the relationship, and both person and organization work together to resolve personal and company conflicts that are related to the task.

2. It is also productive for the individual. That is, it contributes to the resolution of certain psychological conflicts, particularly those related to dependency, distance and change, and to the definition of an adult occupational identity. It increases the sources of gratification available to the individual, enabling him or her to draw more psychological sustenance from the organization and to make more of a psychological investment in the environment.

3. It also contributes to organizational productivity because, when it functions well, much of the employees' energies are freed from having to deal with psychological conflicts related to the task and are then available to be invested in the task itself. This is not to say, however, that if all people are freed from psychological conflicts they will invest all their energies in their work. Some work is so patently unsatisfying to most people that they simply cannot invest themselves in it regardless of how much available energy they might have.

Toward Action

What the executive can do. Just as business executives must keep constant watch on profit margins, inventory, and other material aspects of their businesses, if they are to anticipate and avoid difficulties, they must constantly study the psychological factors in that part of the business for which they are responsible. In particular, they need to create and maintain the conditions for reciprocation. They should be certain that people can plan some of their own work and contribute their ideas to the larger goals of the organization. They should make sure that supervisors, at every level, understand their roles as identification figures and the necessity for accepting dependency needs. Managers and their subordinates must recognize that fair share partnerships between superiors and subordinates does not mean relationships without controls, nor does it mean that an exchange of money for services is an adequate base for partnership.

The second step in anticipating and avoiding problems is to try to assess, at the time of employment, some of the psychological needs the prospective employee will seek to meet in his or her work.

Some conflicts that may seem too insignificant for organizational action may nonetheless have destructive effects on mental health. If executives are to be concerned about mental health, they need to sharpen their sensitivity to subtle and early indicators of stress and, at the same time, counteract the tendency to dismiss as unimportant conflicts that do not have a "four-alarm" quality.

In our discussions we have pointed out various kinds of behavior that

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are manifestations of underlying stress. In a word, stress that interferes with reciprocation and the smooth psychological functioning of a person reflects itself in behavior that is more primitive and less productive than is otherwise possible for the people involved. Such behavior can be classified under four headings. These, in turn, can serve as a diagnostic guide.

Hostile Feelings. Expressions of hostility are the most widely recognized signs of conflict. We would suggest, then, that when expressions of hostility appear in the form of sharp outbursts or chronic repetitive behavior, these indicate strong underlying conflict.

Loss of Control. The conflict is more severe when expressions of hostility become increasingly open and uncontrolled.

Overuse of Defenses. The use of defenses is a subtle matter and somewhat harder to observe than hostile reactions.

Helplessness. When people feel "What's the use" or "You can't do anything about it," this suggests organizational depression.

Principle 1. Basic to successful tolerance of, and coping with, stress in an organization is a firm relationship with the organization--the effective functioning of reciprocation. Whenever there is a conflict that makes for stress, the tendency of most people is to rush in to seek immediate and direct relief of the symptom without thinking about the fact that there is an underlying problem to be solved. As a first step, therefore, the executive must strengthen the people who are under stress. This makes it easier for them to cope with the conflict while he or she comes to understand the basic reason for the conflict and evolves long-range solutions.

Principle 2. In each conflict situation, fundamental to the alleviation of stress and the resolution of a problem is the opportunity to identify oneself with one or more key authority figures.

Principle 3. Management action toward the solution of a problem unites employees to combat the problem at hand, rather than letting them spend their energies in excessive defense activities.

Principle 4. Resolution of a conflict is incomplete if subsequent efforts to avoid further conflicts become overcompensations, that is, if people bend over backwards to keep organizational peace.

Many problems that executives are called upon to solve are of their own making, though they may be unaware of their origin. Executives must constantly be aware of their influence on the behavior of their subordinates; they will be the single most important influence on those whom they supervise. They must look upon the relationship of individual to company as a process. That is, events and behavior flow from one into another. There is no such thing as a single cause and a single consequence.

The Reciprocation Process

